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**Study on the role of SMEs and European audiovisual works
in the context of the fast changing and converging
home entertainment sector (PayTV, Homevideo,
Video on Demand, video games, internet, etc)**

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Executive Summary

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Notice

This document is the Executive Summary of a study on the role of SMEs and European audiovisual works in the context of the fast changing and converging home entertainment sector. It contains the final results of the study.

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Executive Summary

Introduction

The home entertainment sector is in the process of fundamentally reshaping itself. What used to be an a fairly stable industry in terms of the available technology and the business models employed is now becoming something far more chaotic where one person, through an innovative idea, can create ruptures in both consumer habits and along the entire value chain. Above and beyond our capacity to innovate, the ever increasing penetration of Internet broadband connections¹ in most European households and the convergence of equipment due to IP technologies², are the pillars of an increasingly globalised world.

Traditional integrated players such as media conglomerates, and public communication groups, are undergoing structural changes in order to adapt themselves. However, newcomers such as telecommunication companies, Internet Service Providers, "Internet pure players", and even hardware manufacturers, are also marking their ground. Within this clash of the titans, will there be some space left for SMEs? If so, at which level of the value chain? And how will they add value? These questions are cutial as in Europe, even more than in the United States, the businesses which make up the audiovisual sector tend to be small to medium-sized, operating for the most part mostly on their domestic market.

Innovation is the crux of the matter for the development of SMEs involved in distributing and creating new audiovisual platforms and hardware, but what about the actual content which reaches consumers via these channels? Is European talent sufficiently represented in what is offered to consumers via the different channels of distribution? Are the two sectors working hand in hand to ensure that the national cultural heritage and creation of audiovisual content is reaching its audience? The European Commission has been busy formulating and implementing new measures which aim to facilitate the legal framework surrounding the smooth circulation of works within Europe, as well as working toward homogenising the technological standards existent within the member states whose disparity can hamper circulation. Such is the case with measures surrounding the digital rollout in Europe, or the efforts to support the development of broadband in each European country. Most notably, this has been at the heart of the restructuring of the MEDIA Programme, which has been extended until 2013.

In order to allocate the available funds to best effect, it has become vital to analyse the shifts that are being incurred in the old paradigms of the audiovisual sector, and fully understand the impact that digitisation is making in the way media is produced, channelled, and consumed. By doing this, the European Commission can hope to meet the following challenges which will determine the vitality and innovativeness of its SMEs:

- Ensuring that European audiovisual works are well-represented within consumers' homes;
- Supporting the growth and creative potential of SMEs and thus creating a vibrant cross-European network of businesses involved in both the creation and distribution of audiovisual works;
- Creating the conditions for a harmonious development of audiovisual SMEs which will enable all European member states to take part in the economic and cultural benefits of this very important sector.

¹ The number of broadband subscribers in the OECD rose to 235m by December 2007, an increase of almost 20% from a year earlier – Source: The Economist Intelligence Unit.

² A study by Bain & Co suggests that by 2012, more than 80% of Western European Households and 30% in Eastern Europe, will have access to some form of digital television.

Objective and structure of the study

The aim of this study is to identify the challenges and opportunities facing the European home entertainment sector as a whole and to make recommendations on how the MEDIA Programme can help European SMEs and audiovisual works make the most of current changes. The first part of this report provides an overview about current home entertainment practices and market trends in Europe on the one hand, and about the role of European audiovisual SMEs active in this sector and of European audiovisual works on the other hand. This analysis is necessary in order to draw a clear picture (both in terms of breadth – various countries and segments - as of depth – practices, industry, market and legal base) of the European home entertainment sector.

Building on this analysis, the report then focuses on challenges and opportunities brought about by new distribution platforms for European audiovisual works and for the European SMEs of the home entertainment sector. It formulates a series of recommendation on how the European Commission should take these into account in the context of its policies and actions in favour of the audiovisual industries and its SMEs.

Scope of the study

The scope of this study includes all 31 countries member of the MEDIA Programme (all 27 EU member states plus Iceland, Norway, Switzerland and Liechtenstein). It focuses on home entertainment ie on any type of consumption of audiovisual works outside of dedicated places such as a cinemas. The analysis is based on a segmentation of the home entertainment market according to the following five content platforms:

- TV (linear TV platforms)
 - Terrestrial TV (analog and digital)
 - Cable TV
 - Satellite TV
 - IPTV (only linear)
 - Pay TV (only linear)
- Home Video (VHS/DVD)
 - Retail
 - Rental
- VOD (non linear video and TV platforms)
 - VOD services over IP, terrestrial, cable and satellite (including catch-up TV)
 - Video sharing websites
- Games
 - Physical sales (CD-ROM, Consoles, Handhelds)
 - Digital sales (digital sales over web or consoles)
 - Revenues of games communities
- Mobile content
 - Video/TV
 - Gaming

Legal aspects of the European home entertainment sector

This section aims at providing a general overview of the regulation in the European home entertainment sector as well as the current legal practices. It also looks into the new trends in terms of legal practices as well as of market practices linked to legal aspects of the home entertainment sector. It finally mentions a number of major legal challenges and opportunities to be addressed by the home entertainment industry and regulators.

The new era in the home entertainment sector, revolutionised by the increasing digitalisation of audiovisual works, the digital distribution of computer- and videogames (being multimedia works par excellence), IPTV and mobile TV and the emergence of user generated content (MySpace, YouTube etc.), basically grants consumers the possibility of accessing digital content no matter where and when, eventually leading to a fundamental change in the home entertainment market.

While some of the traditional business models will face extinction or at least become marginalised, others will flourish. Newer business models like streaming and video-on-demand (which is likely to eventually replace the retail of physical DVDs), subscription services, download to own (e.g. "buy and burn" or non-transferable), legal peer-to-peer, mobile services, DRM-enabled services, IPTV (through internet or closed-wall), online game services as well as free of charge video on demand ("free on demand"), whether advertising driven or shared, require a legal framework that is specifically customised for the legal challenges of content distribution through digital platforms. But as business models and technologies in the digital era rapidly change (the rate of technical innovation has been doubling every decade), lawmakers face the problem of the vertiginous pace of technical developments, of frequently varying consumer trends and of a young industry, that constantly conquers "terra incognita" in the world of digital business opportunities. It is virtually impossible to foresee the changes, which the current developments in the home entertainment sector will bring about. But it is absolutely certain that any regulatory framework must be open to such changes.

For some of the players of the home entertainment sector, like rights holders, content aggregators and platform operators, digital distribution of audiovisual or multimedia works is currently the most promising business model. Distribution over IP-based channels has evolved since the late 1990s and has enabled content providers to distribute their content online to be downloaded or streamed by end-users, bypassing costly physical distribution networks. In the digital world, providers of content are not limited by physical shelf space, as server, bandwidth and other storage and distribution costs are rapidly declining. But as copying of digital works is very easy and widespread, replacing retail on physical storage media increases the danger of copyright piracy – hence the protection of rights becomes paramount. Therefore rights holders want to control the usage of their content, sometimes colliding with consumer's rights and interests.

The existing EU legal framework regulating the digital distribution of content is made of a great variety of regulations which focus on such different areas as copyright issues and enforcement of intellectual property, consumer protection, personal data protection and privacy and electronic communication, protection of minors and human dignity advertising as well as on the technical aspects of telecommunication networks.

The regulatory framework of the Member States regarding IPTV and mobile TV has to be considered as a legal patchwork, which leaves providers of these services with uncertainty regarding the legal obligations they have to fulfil. It has also been feared that over-regulation of the young industry of IPTV and mobile TV could stall its economic development and turn into a competitive advantage for operators, which perform their services from outside the EU. The current regulatory framework which governs the telecoms sector of the EU was agreed in 2002 and seems to be outdated. As content distribution through broadband lines and voice-over-ip has already become an everyday phenomenon, the EU reacted to the developments and is currently revising the provisions.

The steady growing market for games requires a stable legal framework. As of today, the underlying software of a computer game is protected but not the game's concept, its layouts, methods and game engine. Many Member States try to close the legal gap by granting dual protection for computer games, since games as multimedia works are considered to be „cinematographic works“, „works comparable to cinematographic works“ or „audiovisual works“ as well as software. The dual concept however, could possibly lead to a number of legal uncertainties, depending on the respective national law of the Member State.

The potential of the internal market for the home entertainment sector is not only hampered by different national tastes and language barriers, but in the case of EU-wide

digital distribution above all because of the fragmentation of copyrights of audiovisual and multimedia works. As long as rights are exclusively granted in different territories and as long as territorial rights are a fundamental cornerstone of the financing structure for audiovisual works and computer and videogames, the digital common market will remain wishful thinking. Nevertheless territorialisation is still the only way to determine the price of audiovisual works according to national specificities in terms of living standard, infrastructure, level of equipment, etc. The future legal framework to support trans-border digital distribution of movies and videogames should not impede the financing structures of the respective industries. The success of this transition of both the market and the industry will depend on how and how fast content aggregators, VoD or game-on-demand operators will become part of financing structures, where they grant minimum guarantees to film producers or game developers against digital rights for certain territories – sometimes replacing traditional players of the industry. Time will tell if multi-territory licensing can be an economic and legal answer to the fragmentation of copyrights.

European home entertainment market

This section is an attempt to qualify and to quantify the various segments of the home entertainment market (linear TV, home video, VOD, mobile content and games) across the 31 countries member of the MEDIA Programme (27 EU member States plus Iceland, Norway, Switzerland and Liechtenstein). It provides a picture of the size of the respective segments in each country and details both the types of services and contents offered for each segment. This overview is useful to understand the following section which analyses the industry providing these services and the business models it uses.

Media convergence readiness in Europe

The countries part of the MEDIA Programme are very heterogeneous in terms of their level of media convergence readiness. Four groups of countries can be identified:

- Countries with a high level of media convergence readiness (high broadband penetration, high 2.5/3G penetration, etc.): all five Nordic countries (Denmark, Finland, Iceland, Norway and Sweden), Switzerland, Malta, the Netherlands and the UK.
- Countries with an average level of media convergence readiness: Austria, Belgium, Germany, Spain, France, Greece, Ireland, Italy and Portugal
- Countries with a low level of media convergence readiness: Bulgaria, the Czech Republic, Hungary, Latvia, Poland and Slovakia.
- Countries with too little data available: Cyprus, Estonia, Latvia, Liechtenstein, Luxemburg, Romania and Slovenia

The total home entertainment market of the countries member of the MEDIA Programme can be estimated at about €100b.

The size of the industry is comparable to the publishing industry (books, newspapers, magazines). The market can be divided in three main groups of countries according to their market's size:

- **The "Big 5"** leading markets with the UK leading the league (€21,6b), followed by Germany (€17,9b), France (€13,8b), Italy (€10,1b) and Spain (€7,6b).
- **The second league with home entertainment revenues between €1b and €4b** is made up of all other Western European markets except Iceland. Poland is the only market within the new EU member States with a market above €1b.
- **The rest of Europe** includes Iceland, Liechtenstein and all new EU member States except Poland. However, it has to be noted that these countries' home entertainment markets are undervalued due to the lack of data available apart for linear TV.

Comparison of the 5 home entertainment market segments at European level

- **Linear TV represents 70 to 90% of the market in most countries**
In all countries where data is available for the five audiovisual platforms, it appears

clearly that linear television is still the undisputed leader of the home entertainment market amounting roughly to 80% of the revenues in most countries. Therefore, the overall ranking of the various home entertainment markets is practically the same as it is when considering solely the linear television platform (terrestrial, cable, satellite and IP linear TV).

- **Home video is the second most significant segment of home entertainment revenues after linear TV**

Its average market share amounts to 11,8% in EU15 but this segment does not present a homogeneous picture in Europe. Indeed, in North European countries, home video represents about 15% of the home entertainment market (Denmark, Norway, UK), whereas in other countries (mainly Eastern and South European) it remains significantly below a 10% market share (Greece, Latvia, Poland, Hungary, Czech Republic, Hungary, Italy, Austria, Portugal, Finland, Spain and Germany).

- **VoD is still a very marginal segment of the market**

Its average market share does not reach 1% but it is emerging in some countries. It exceeds 1% of market revenues only in Portugal and probably Romania. Nevertheless, it starts to generate revenues in a number of counties such as Ireland (0,9% of the home entertainment market), Finland (0,7%), UK, France, Spain, Denmark and Norway (0,6%).

- **Mobile content appears to be a more significant market segment with an EU15³ average of about 2%.**

Nordic countries are the leading markets with mobile content reaching 9% of home entertainment revenues in Norway, 6,8% in Sweden, 5,5% in Denmark and 5,4% in Finland (no data available for Iceland).

- **Games represents the third segment of the home entertainment market in countries where data available**

Not much data is available for the games sector. For the countries in which data is available, it appears to represent between 5 and 8% of the market except for a couple of countries with a market share over 10%: Ireland (14,7%), Switzerland (13,3%), UK (10,2%) and the Netherlands (9,5%).

The European home entertainment industry

The European home entertainment industry is much contrasted. 20 out of the 50 biggest audiovisual companies worldwide are European. They include production, distribution, broadcasting as well as cable companies. Next to these global enterprises that provide content and services across Europe, there are numerous national small and medium-sized companies as well as larger ones in each level of the audiovisual content value chain, which compose the industry of home entertainment in Europe. However, the audiovisual sector tends to be dominated by significantly large operators, such as TV operators, telecom operators and local distributors, which invest heavily in audiovisual production or distribution and shape the business models.

Thanks to digital technologies enabling convergence between Internet, television and telecommunications, the traditional value chain of the audiovisual industry has opened. Each operator now needs to collaborate more extensively with the players from other segments in the value chain through deals and partnerships. A fundamental shift in the audiovisual European industry is taking place and new business models will emerge in the next few years. Given this context of technological innovations and of consumer's behaviour (r)evolutions, the future of the home entertainment industry is unclear and the balance of power within the industry could experience a profound redefinition.

³ Unfortunately, no information on mobile content is available for the new EU member countries.

Key findings on media usage of home entertainment in Europe

Access to media: increasing penetration rates for all media

- Almost all European households have a television, of which an overwhelming majority still have a standard television (92%) while only 1 of 5 have a wide screen
- Terrestrial television remains the main means of transmission (47%), 35% of EU27 households use cable television networks and 21% receive satellite TV. Digital terrestrial television is used by 7% of EU27 households (2006).
- In 2007, 54% of European households (EU 27) were equipped with Internet access and 1 of 2 Europeans regularly uses the Internet (once a week)
- 8 of 10 Europeans have a mobile phone, the penetration rate of mobile telephony seems to be directly proportional to the households and the city size and prepaid cards is the most frequent agreement

TV, DVD, VoD and video community networks: new forms of video consumption

- In 2006, television is still the central place for home entertainment consumption. People spend between two and three times longer watching TV than they spend on the Internet. Today, 95% of video content viewing in Europe is traditional "linear" television. However, this is set to change, as more and more non-linear options are becoming available.
- After TV, watching movies is the second most popular activity (cinemas, DVD, pay-per-view services).
- Over the last 4 years, the European DVD market has strongly declined as consuming video content online quickly becomes a mainstream activity, and more homes gain broadband access and larger bandwidth.
- Free access to audiovisual content is also one of the most attractive features of video social networks and explains the success of catch-up TV.
- Multi-platform distribution and the emerging concept of the "digital home", built around the demand for content portability and interconnecting devices, are also changing video usage.

Internet usage: specific usage profiles among younger generations

- 15 to 34-year-olds mostly use media for entertainment, whereas those over 35 use media above all for information.
- The use of pay-per-view or paying VOD services to access media content online is still marginal in Europe.
- Internet is used as a communication tool.
- Web 2.0 offers a new set of software tools for using the Web, and is particularly appreciated by young people as a free product which makes sharing information possible.

Social networks

- Web-based social networks are not related to any "community ideal"; rather, they exploit the strengths of weak cooperation. People discover cooperative opportunities only by making public their individual production.
- The expression of the self becomes a way of forging relations and making public one's relationships via a blog, a characteristic feature of many social networks.
- The rise of user-created content (UCC), or user-generated content (UGC) is one of the main features of the "participative web".
- One of the main features of online gaming is social interaction (group interaction, chatting, role playing).

Games: one of Europeans' favourite hobbies

- The majority of European gamers buy between 1 and 6 games per year.
- While video game demos and music downloads are largely sourced from official websites, complete video games and full-length movies are much more likely to come from unofficial sources.

- Different consumption trends coexist in the games sector with nomadism, casual gaming and online gaming being the dominant ones.
- The success of casual games can be ascribed to the development of broadband access (primarily over DSL), to the spread of laptops and to the infatuation for mobile phones that encourage the development of new usages.

Mobile

- Mobile phones give access TV, video and gaming content.
- Accessing the Internet via mobile is increasing.
- Video content for mobile devices is a fast growing segment.

Challenges and opportunities of new distribution platforms

The games sector represents a very dynamic market with clear business models

- Companies in this market experience high growth rates, many of them aiming to distribute (and sometimes also develop/produce) their products globally
- A great asset of the games sector is the existence of European distribution licensing which enables significant economies of scale on marketing.
- Two simultaneous processes are at work in the sector:
- Vertical integration: Publishers tend to distribute and develop their games by way of internal or external expansion.
- Co-operation between companies: Other companies tend to organise themselves within more or less loose cooperation relationships in order to increase their industrial output and/or their access to market.
- Online distribution is gradually changing the value chain with publishers increasingly distributing their products directly online thus short cutting national/local distributors.
- No clear market failure can be seen in the games sector: the main challenge for European SMEs is to achieve critical mass to be able to control their distribution

The European home entertainment sector is in a transition phase, mainly driven by

- **Media convergence:** The digitalisation of content distribution makes content available on a multitude of distribution platforms and makes the combination of various types of content possible;
- **Interaction:** The digitalisation of content gives the viewer/user the possibility of interacting with the content, of sending feedback in real time through the distribution network and of creating original content which can in turn be made accessible for other users/viewers;
- **Commoditisation/Diversification:** The digitalisation of content changes the patterns for its availability and its consumption; the explosion of the number of delivery channels makes most content become more of a commodity with a strong pressure on prices while, at the same time, the possibility to reach niche audiences is increasing.

These changes bring about important impacts on the home entertainment sector:

- **Increasing importance of video content on the Internet,** although users/viewers tend to favour content accessible for free, leaving little room for other business models than ad-funded entertainment.
- **Dominance of "walled garden" solutions for IPTV** offered by the major telecom, satellite and cable operators.
- **Changes in the audiovisual value chain,** either due to the merging of roles which used to be distinct or due to the disappearing of some roles. For instance, in the VoD sector, many new players are entering the value chain as "platform editors" (media companies, telecommunication companies, independents and also online retailers) while the importance of the role of "aggregators" is constantly increasing. In the

games sector, besides the continuous process of integration around games publishers, a number of partnerships between stakeholders are emerging, especially between publishers and aggregators, amongst developers and, of course, between publishers and developers.

- **Increasing importance of games** as an industry as well as a form of cultural expression. In the EU15 countries, 23.5% of all households own a game console; hence, considering that most European gamers actually play on their PC (72% according to the most recent Nielsen Interactive Entertainment study), games can arguably be considered as a mainstream segment of the home entertainment sector. Moreover, one major impact of the continuous technological progress of games development combined with the phenomenon of media convergence is that games are increasingly influencing other types of media (especially film and animation) and vice versa.
- **Slow development of mobile entertainment.** The development of TV, video, games and interactive entertainment services distributed over mobile networks is slow. The lack of an attractive pricing for mobile data transfer is seen as the main reason for this.
- **Persistence of territorialisation** for the exploitation of digital rights of audiovisual works. Unlike the game industry that can leverage on multi-territorial licenses are common, the full benefits of digital distribution of video content are still hampered by the territorialisation of licenses. This is mainly due to the heterogeneity of European markets with different consumption, different regulations and the domination by local players.
- **New distribution platforms represent an opportunity for European SMEs** to reach their audience and to understand it better by means of interaction. Furthermore, as business models are still in the process of being defined, they represent a real chance for production companies to improve their position in the sharing of the copyright than on the traditional platforms (TV, cinema and video/DVD).

Challenges to the development of new platforms in Europe

Users' interest for audiovisual content available for free on the new platforms does not need to be further demonstrated. The question is rather about how to finance this content which, so far, too few users seem to be willing to pay for. Except for premium content on certain Internet platforms, the only economically viable model so far seems to be ad-financed content such as branded entertainment, brand integration or web ads on the page displaying the content. For the time being, rules for advertising in audiovisual works being stricter in Europe than in the rest of the world, the development of the new platforms on Europe is even more of a challenge.

Access to finance for SMEs is a major issue for the development of the European entertainment industry.

Recommendations for additions to current Media support schemes

- **Training:**
 - Interactive storytelling, multiplatform storytelling: Classic film or TV scriptwriters do not know how to write non-linear stories which leave room for interactivity.
 - Technical games engineers: The European industry lacks skilled human resources in this area especially for people trained at programming console games.
- **New Technologies:**
 - Pilot projects: Support for "360° production strategy".
"360° production strategy" refers to the idea of developing a piece of content over all existing media platforms (cinema, TV, Internet, mobile, print, games...), usually with originally developed content for each specific media platform. This support could be targeted directly at TV production companies or broadcasters as well as to film production and distribution companies.
 - Creation of a special scheme to support media clusters
Support the setup of clusters which bring together companies having technological know-how to produce and distribute digital content and companies having creative

know-how to produce original content which could be developed for various media platforms. This could boost the creativity and the ability of SMEs to provide the right services and programmes for a changing market.

- **Producer's Support: Development of interactive works:**

The support for the development of interactive works should be increased as the funds currently available are not in relation with the variety, the economical size as well as the economical and cultural potential of the types of media addressed in this scheme.

- **Distribution:**

Although interactive works are for the time being not included in the scope of the MEDIA Programme for distribution, the Commission could take into consideration emulating what it has been able to do with its Producers' Support and including Interactive works in the scope of the Distribution scheme of the MEDIA Programme. Such an addition could aim at supporting for the international distribution of games released by independent games publishers and supporting independent content aggregators which are active internationally.

Recommendations for a new support instrument focussing on the access to finance of European audiovisual SMEs

The key issue which will determine the consumption of European audiovisual works at home will be the gateway enabling the access, the research and the delivery of the content, should it be set top boxes, mobile content platforms or video sharing platforms. Therefore the MEDIA Programme and the European Commission should encourage a variety of stakeholders to be active at this critical point of the value chain in order to guarantee the access of European consumers and users to European audiovisual content. Furthermore, such support could help some young innovative SMEs to eventually develop as major European corporations.

For the time being, the strong stakeholders of the industry (i.e. TV networks such as BSkyB, telecom operators such as Deutsche Telekom as well as search engines such as Google/YouTube or VOD platforms such as iTunes) start to position themselves as gatekeepers of the access to home viewers/users. Most of them are favouring walled-garden solutions meaning that only the content which they have licensed is accessible. Thanks to their economical weight and to the fact that, for some of them, the bulk of their revenues does not come from audiovisual content distribution, they can easily determine the terms of trade, especially in the face of independent content owners.

In order to guarantee a diversified offer of audiovisual works to the European households, the European Commission should aim at facilitating the emergence of alternative stakeholders in this field. As a matter of fact, most of these alternative stakeholders are SMEs at a relative early stage of development such as Holland's United Content Distributors. As we know, European innovative SMEs face a great challenge in bridging the gap between the seed and start-up capital phase where they are usually able to find business angel and bank investment locally and the expansion phase where venture capital investment is necessary.

The Commission has already a wide range of supports available for European SMEs available either directly from DG Enterprise, DG Regio or DG INFSO or through programmes managed at national or regional level, such as the European Union's Structural Funds. SMEs can also benefit from a series of non-financial assistance measures in the form of programmes and business support services. Nevertheless, there is no specific instrument for financing the SMEs of the home entertainment sector and it appears that SMEs from the audiovisual sector are very much underrepresented in the companies benefiting from these supports. A detailed analysis of this situation and of its origins was not in the scope of this study. Nevertheless, considering the economical and cultural importance of home entertainment, a financial instrument more focussed at the audiovisual/home entertainment sectors appears to be needed.

One option for the European Commission could be to set up a public fund to bridge the equity gap for innovative European audiovisual SMEs. Investments at this critical phase of the development of such companies would aim at helping them expanding internationally. The European Commission would aim at exiting such an investment

within a period of 5 to 10 years by means of a management buy-out, trade sale or public sale. Furthermore, the EC could choose not to aim primarily at making a major profit with such investments but rather examine the possibilities of binding the support with some European criteria within these companies, sustainable after its exiting of the investment. Such soft criteria could include ways to guarantee the access of European audiovisual works to the home or to guarantee the European ownership of the company for a significant period of time. Indeed, as we know, the challenges which European companies face in finding start-up and growth finance appear at the end of the scale as well when the company is seeking funds to finance its global expansion. At this very stage, most European SMEs often have to go the US to find such funds since large scale venture investment is scarce in Europe.

Such public funds have already been set up at regional or national levels in some members States, most of them focussing on the "creative industries" and including both national/regional funds and European funds such as NESTA (UK) or the VC Fonds Kreativwirtschaft (DE).